

## Conducting a Physical Inventory

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The purpose of taking a physical inventory is to determine the physical existence of the property and equipment that appear in the LEA's records and to verify the accuracy of the inventory control system. For good internal control it is recommended that a physical inventory of the LEA's property and equipment be taken at least annually. The *Federal Register* states that:

A physical inventory of equipment shall be taken and the results reconciled with the property records at least once every 2 years to verify the existence, current utilization, and continued need for the equipment. A statistical sampling basis is acceptable. Any differences between quantities determined by the physical inspection and those shown in the accounting records should be investigated to determine the causes of the differences. The results of the physical inventory can be used as a basis for writing off items that have been lost, stolen, or discarded, and also for adding unrecorded items.

The procedures suggested below could be used in the initial inventory or retaking of inventory because they are basic and could be modified to fit the needs of the LEA. Adequate planning is critical to the physical inventory process, which should include the following:

1. Designation of the person responsible for coordinating the LEA's inventory
2. Determination of the duties and responsibilities of persons and/or departments involved in the inventory; e.g., Data Processing Services, Purchasing, and Warehouse
3. Determination of the inventory procedures to be used
4. Provision for materials needed for the count
5. Schedule for taking the inventory, including cutoff dates
6. Design of final inventory reports (See page 807-4.)

There are three major stages in taking the physical inventory: the *precount*, the *actual count*, and the *recount*.

### Precount Procedures

At this stage, the coordinator should clearly instruct the persons who will do the counting. The following steps are suggested:

1. Notify personnel of the schedule for starting and completing the inventory counts.
2. Anticipate problems that might interfere with the inventory count and take corrective action if necessary.
3. Return equipment that has been temporarily moved to its permanent location.
4. Arrange for the removal of or identify non-LEA property, such as teachers' personal belongings.
5. Distinguish and identify on-loan equipment and leased equipment; e.g., equipment on trial from a vendor or a loan from the maintenance department.
6. Note equipment that is moved out temporarily or out for repair. This equipment should be included in the count at the site having permanent custody of the equipment.
7. Distribute count materials, including written procedures for counting and controlling count sheets. The count sheet should include (1) the inventory number; (2) the description of the items to be counted; (3) the prior inventory quantity; (4) the original count and the second count; and (5) the discrepancy as in the following sample :

### Sample Count Sheet

Inventory number	Description	Prior inventory quantity	Count		Discrepancy	Reason for discrepancy
			1	2		

## Counting Procedures

At this stage, the count is performed. This process involves matching the inventory number affixed to each piece of equipment with the inventory number listed on the count sheet. Ideally, the inventory count should be taken by a person who is not primarily responsible for the inventory's safekeeping; however, it should be taken by the person who is the most knowledgeable about the type of property and equipment being inventoried.

The following are *suggested procedures* for counting inventory, by room:

1. Limit the inventory count to individual rooms. If the equipment is in the room, include it in the count; if not, list it as missing.
2. Work from equipment in the room to a count sheet.
3. Put an identification mark on each item counted (by tag, paint, indelible ink, or some other means) to indicate that the item has been counted.
4. If a count sheet is used, the following procedure can be used for counting:
  - a. Group items (tables, chairs, desks, and the like)
    - Count the quantity of all similar types of equipment in the room.

- Determine whether the type of equipment is listed on the count sheet. If the equipment is listed and if the quantity is the same as that listed on the count sheet, circle the quantity listed. If the quantity is different from that listed, enter that quantity under “Count 1” and enter the difference in the “Discrepancy” column. Enter the reason for the discrepancy if it is known.
  - If there are group items listed on the count sheet that are not in the room, enter a zero under “Count 1” and the difference in the “Discrepancy” column. Enter the reason for the discrepancy if known.
- b. Unit items (audiovisual equipment, typewriters, machines, and the like and all equipment for special projects)
- If the *inventory number* for the item is on the count sheet, circle the quantity.
  - If the *inventory number* for the item is *not* on the count sheet, enter the inventory number, a description of the item, and the quantity.
  - If there are unit items listed on the count sheet that are not in the room, enter a zero under “Count 1” and the difference in the “Discrepancy” column. Enter the reason for the discrepancy if known.
- c. Noninventoriable items
- These items should be counted and listed by the person doing the counting.
  - The inventory coordinator should determine whether the item is inventoriable or noninventoriable.
5. Date, sign, and return the count sheets to the office of the site administrator when the count is completed.
6. After receiving the completed count sheets from the person who took the inventory, the administrator should verify that all of the pages have been completed, dated, signed, and returned and should send them to the inventory coordinator for a comparison of the count with the inventory records.

## Recount Procedures

For substantiation of the validity of the inventory, a recount (second count) should be taken. A recount is the process of verifying the differences between the actual count (first count) and the LEA’s inventory record to correct differences or affirm discrepancies. Suggested procedures for the recount follow:

1. Explain the recount procedure to the person who will be doing the second count.
2. For lost items check repair requests, equipment transfers, and reports on lost or damaged equipment moved from the site. If an item is being repaired, it should be included in the count.

3. For *group items* verify existing quantities and indicate any corrections under “Count 2” on the recount sheet.
4. For *unit items* attempt to locate the items listed on the count sheet. Check room closets, storage rooms, and other storage areas. If items are located, so indicate under “Count 2” on the count sheet.
5. When the recount is completed, it should be dated, signed, and submitted to the administrator for verification and approval.
6. The administrator should then send the count sheet to the inventory coordinator for summarization and preparation of a report.

When all the counting is completed and summarized, an equipment inventory report, like the sample shown below, is prepared showing the actual count to be used to adjust the Property and Equipment Ledger:

### **Sample Equipment Inventory Report**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Inventory number</i>	<i>Complete description</i>	<i>Acquisition date</i>	<i>Location of use</i>	<i>Quantity</i>	<i>Acquisition cost</i>	<i>Replacement cost (optional)</i>

The suggested procedure discussed above is just one of many inventory procedures that can be applied in an LEA. The basic procedure can be used in either a manual or computerized inventory system.